ECONOMIC INNOVATION & TECHNOLOGY COUNCIL

Annual Report
2003 – 2004

105-06184/

Economic Innovation and Technology Council

Annual Report
2003 – 2004

Letter of Transmittal

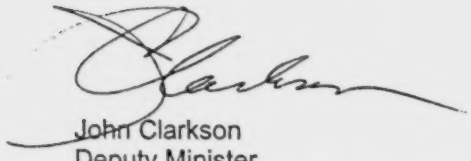
February 1, 2005

To the Honourable Dave Chomiak
Minister responsible for
the Economic Innovation and Technology Council
314 Legislative Building
Winnipeg Manitoba R3C 0V8

May it Please Your Honour:

I have the privilege of presenting the Annual Report of the Economic Innovation and Technology Council for the year ending March 31, 2004.

Respectfully submitted,



John Clarkson
Deputy Minister
Energy, Science and Technology

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Economic Innovation & Technology Council

MANDATE, MISSION AND GOALS

The Economic Innovation and Technology Council (EITC) acts as a catalyst in establishing partnerships and alliances for increased economic development through innovation.

PRIORITIES

To be a catalyst and to focus on economic development through innovation, EITC's priorities will be in the areas of:

- Development of partnerships to support community development exercises that are based on innovation;
- Diversification of economic development activities to support community economic development needs in the new economy;
- Support for the development of opportunities to enhance the government's economic development priorities of:
  - creating a skilled workforce
  - provide exciting opportunities for employment within communities
  - build on the existing provincial strengths in education, manufacturing, aerospace, financial services, health and agriculture
  - focus on energy intensive and new economy opportunities.

OPERATING GUIDELINES

The EITC Board is appointed by government and is currently made up of the following:

Deputy Minister of IT&M (Chair) - incumbent Hugh Eliasson
Secretary to Treasury Board - incumbent Don Potter
Secretary to Community and Economic Development Committee of Cabinet - incumbent Eugene Kostyra
Deputy Minister, Energy, Science and Technology - incumbent John Clarkson.

The EITC Board will meet at least four times per year and will be responsible for the approval of all expenditures related to EITC. A quorum for the board meetings will be defined as one of the Chair or Vice-Chair and at least two other members. To ensure timely treatment of issues, the board will also circulate material and use e-mail as a mechanism to approve expenditures.

EITC will provide quarterly reports to Treasury Board and CEDC on actions taken and the results of those actions. An annual report and audited financial

statements will be provided reporting on the activities of EITC by July 31 of each year.

EITC will be supported the staff of the Strategic Planning and Analysis Division in the Department of Energy, Science and Technology.

Activities/Results

Manitoba Network for Science and Technology (MindSet)

The Manitoba Network for Science and Technology (MindSet) encourages science and technology (S&T) awareness and education. In 2002/03 MindSet activities included support for a co-ordinator and involvement in a variety of year-round science and technology awareness activities. MindSet is actively involved with various programs including: Aventis Biotechnology Challenge; Digitized Student Technology Conference; Summer Institutes (e.g. Microsoft Teacher Mentorship, new media, biotechnology and agtech); MindSet Web-Site; the Manitoba Science and Technology Achievement Event; and support for various school science fairs.

Canadian Technology Network

The Canadian Technology Network (CTN) is a joint initiative of the National Research Council through IRAP and EITC. The CTN provides a focus on fostering an environment of entrepreneurship and innovation for SMEs within Manitoba, and integrating Canada's innovation system players into a national network to support and promote access by SMEs to technology and innovation expertise, resources and services.

EITC's role for this initiative is to be the host agency and to co-chair the CTN Manitoba Council that will be committed to partnerships and creating shared purposes. As the host agency EITC will provide staff support to the CTN network on a fully cost recovery basis from NRC. The CTN Council will be the mechanism for setting the direction of the network and establishing partnerships both locally and nationally.

Targeted Geoscience Initiative

This project is a new multidisciplinary, coordinated geo-scientific study aimed at characterizing and understanding basin architecture and hydrocarbon potential in the Williston Basin. This Targeted Geo-science Initiative project is currently in year one of a two year study which will involve new work that builds on established scientific leadership, cooperation and expertise amongst federal and provincial government agencies and universities. The result will be a seamless 3-D geological model of Paleozoic- and Mesozoic-aged rocks, from basement to outcrop, in Manitoba and Saskatchewan, in a geographic area extending from the northern and eastern outcrop edge to the international border, and west to 106°. A major objective is to enhance our understanding of the basin's hydrocarbon and mineral potential.

The project partners and contributing agencies include:

- Federal Government – Natural Resources Canada – Earth Sciences Sector
- Province of Manitoba
    - Economic Innovation and Technology Council
    - Industry, Economic Development and Mines
        - Manitoba Geology Surveys
        - Petroleum Branch
- Province of Saskatchewan – Industry and Resources – Petroleum Geology Branch
- University of Alberta
- University of Saskatchewan

Economic Innovation and Technology Council Financial Statements

March 31, 2004

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Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

Auditors' Report

To the Office of the Auditor General

We have audited the balance sheet of the **Economic Innovation and Technology Council** as at March 31, 2004 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
July 23, 2004

Chartered Accountants

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Economic Innovation and Technology Council
Balance Sheet

Exhibit A

March 31

	2004	2003
Assets		
Current		
Petty cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	280,028	2,494
Other	425	6,213
Accounts receivable		
Province of Manitoba	3,294	100,989
Other	45,808	35,881
Note receivable (Note 3)		124,999
	329,955	270,976
Investment in Manitoba Technology Centre Ltd. (Note 4)	1	1
	$ 329,956	$ 270,977
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 103,643	$ 65,660
Other	-	22,208
Deferred revenue	93,624	23,950
	197,267	111,818
Equity		
Funds retained (Exhibit B)	132,689	159,159
	$ 329,956	$ 270,977

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2004	2003
Revenue		
Government of Canada, program grant	$ 46,936	$ 62,474
Sundry	53,688	3,739
	100,624	66,213
Expenditure		
Operating expenses (Schedule 1)	127,094	328,888
Deficiency of revenue over expenditure	$ 26,470	$ 262,675
Funds retained, beginning of year	$ 159,159	$ 421,834
Deficiency of revenue over expenditure	26,470	262,675
Funds retained, end of year (Exhibit A)	$ 132,689	$ 159,159

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Project Revenue and Expenditures

Exhibit C

Year Ended March 31

	2004	2003 (Note 8)
Revenue (by Program/Project)		
Beyond 2002		
Event registrations	$	$ 3,976
Bio Technology		
Contribution from Province of Manitoba (Note 5)		39,223
Event registrations	9,079	16,952
Event sponsorships	5,164	-
Business of Science		
Contribution from Province of Manitoba (Note 5)	14,018	22,808
Event registrations	29,409	15,811
Event sponsorships	108,048	70,234
MindSet - Science and Technology Awareness		
Contribution from Province of Manitoba (Note 5)	217,169	201,606
Program registrations	1,300	2,500
Program sponsorships	34,535	28,500
Pharma Tech		
Program sponsorships	28,069	
Targeted Geoscience Initiatives		
Contribution from Government of Canada	279,136	
	725,927	401,610
Expenditures (by Program/Project)		
Beyond 2002		3,976
BioTechnology	14,243	56,175
Business of Science	151,475	108,853
MindSet - Science and Technology Awareness	253,004	232,606
PharmaTech	28,069	
Targeted Geoscience Initiatives	279,136	
	725,927	401,610
Excess of revenue over expenditures retained	$ -	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Cash Flows

Exhibit D

Year Ended March 31

	2004	2003
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	$ (26,470)	$ (262,675)
Net changes in non-cash working capital balances		
Accounts receivable	87,768	(22,358)
Note receivable	124,999	103,067
Prepaid expenses		5,000
Accounts payable and accrued liabilities	15,775	(18,162)
Deferred revenue	69,674	23,950
Net increase (decrease) in cash	271,746	(171,178)
Cash and funds on deposit, beginning of year	9,107	180,285
Cash and funds on deposit, end of year	$ 280,853	$ 9,107
Represented by:		
Cash	$ 400	$ 400
Funds on deposit		
Minister of Finance		
Cash	280,028	2,494
Other	425	6,213
	$ 280,853	$ 9,107

See accompanying notes to the financial statements.

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance, short-term deposits with original maturities of three months or less and balances with banks.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Note receivable

The note receivable that arose from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (MTC) for $434,200 was non-interest bearing and was fully repaid on June 1, 2003.

4. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL is committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price was paid in instalments and has been fully paid as disclosed in Note 3. A gain of $434,175 resulting from this redemption has been recorded.

5. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

6. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

7. Financial Instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, Investment in Manitoba Technology Centre, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

8. Comparative figures

Certain of the 2003 comparative figures have been changed to conform to the financial statements presentation adopted for the current year

Economic Innovation and Technology Council
Schedule of Expenses

Schedule 1

Year Ended March 31

	2004	2003
Advertising and promotion	$ 10,367	$ 56,370
Canadian Technology Network	47,771	62,474
Council activities	20,531	62,500
Equipment rental and maintenance	36	230
Fees, memberships and conferences		8,107
Postage, delivery and telephone	342	150
Printing and stationery	1,111	515
Professional fees	16,725	5,958
Purchased services	30,071	104,671
Rental and property tax	140	1,761
Travel		26,152
	$ 127,094	$ 328,888

Conseil de l'innovation économique et de la technologie

Rapport annuel
2003 – 2004

Lettre de présentation

Le 1er février 2005

M. Dave Chomiak
Ministre responsable du
Conseil de l'innovation économique et de la technologie
Palais législatif, bureau 314
Winnipeg (Manitoba) R3C 0V8

Monsieur le Ministre,

J'ai le privilège de vous soumettre le rapport annuel du Conseil de l'innovation économique et de la technologie pour l'exercice terminé le 31 mars 2004.

C'est avec mes respects, Monsieur le ministre, que je vous soumets ce document.

John Clarkson
Sous-ministre
Énergie, Sciences et Technologie

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Conseil de l'innovation économique et de la technologie

MANDAT, MISSION ET OBJECTIFS

Le Conseil de l'innovation économique et de la technologie (CIET) joue le rôle de catalyseur en ce qui concerne l'établissement de partenariats et d'alliances qui favorisent le développement économique par le biais de l'innovation.

PRIORITÉS

Pour servir de catalyseur et se concentrer sur le développement économique par le biais de l'innovation, le CIET s'est fixé les priorités suivantes :

- formation de partenariats qui appuient les projets de développement communautaire fondés sur l'innovation;
- diversification d'activités de développement économique afin de répondre aux besoins de développement économique communautaire dans la nouvelle économie;
- développement d'un plus grand nombre de possibilités pour aider le gouvernement à mieux respecter ses priorités en matière de développement économique, à savoir :
  - créer une main-d'œuvre qualifiée;
  - fournir de bonnes possibilités d'emploi dans les collectivités;
  - miser sur les forces provinciales existantes dans les domaines de l'éducation, de l'industrie manufacturière, de l'aéronautique, des services financiers, de la santé et de l'agriculture;
  - se concentrer sur les industries à forte consommation d'énergie et sur de nouvelles possibilités économiques.

PRINCIPES DE FONCTIONNEMENT

Le conseil d'administration du CIET est nommé par le gouvernement et comprend les membres suivants :

Sous-ministre de l'industrie, du Commerce et des Mines (président) - M. Hugh Eliasson (titulaire actuel du poste);
Secrétaire du Conseil du Trésor - M. Don Potter (titulaire actuel du poste);
Secrétaire du Comité du Cabinet chargé du développement communautaire et économique - M. Eugene Kostyra (titulaire actuel du poste);
Sous-ministre adjoint, Énergie, Science et Technologie - M. John Clarkson (titulaire actuel du poste).

Le conseil d'administration du CIET se rencontrera au moins quatre fois par an et sera responsable de faire autoriser toutes les dépenses liées au CIET. Quant

aux réunions du conseil, un quorum comprendra le président ou le vice-président et au moins deux autres membres. Afin de veiller à ce que les questions sont traitées dans un délai convenable, le conseil fera circuler des documents et enverra des messages par voie électronique pour obtenir une autorisation des dépenses.

Le CIET fournira au Conseil du Trésor et au Comité du Cabinet chargé du développement communautaire et économique des rapports trimestriels portant sur ses activités et sur les résultats de celles-ci. Le CIET publiera également avant le 31 juillet de chaque année un rapport annuel et des états financiers vérifiés décrivant ses activités.

La Division de la planification stratégique et de l'analyse du ministère de l'Énergie, des Sciences et de la Technologie appuiera les activités du CIET.

Activités et résultats

Réseau manitobain favorisant la science et la technologie (MindSet)

Le Réseau manitobain favorisant la science et la technologie encourage la sensibilisation et l'éducation en science et technologie. En 2002-2003, il a appuyé le travail d'un coordonnateur en plus de participer à un éventail d'activités de sensibilisation à la science et à la technologie toute l'année durant. MindSet prend une part active à divers programmes : Défi Biotech Aventis; conférence sur la technologie donnée en milieu scolaire (Digitized Conference); séminaires d'été (p. ex., Microsoft Teacher Mentorship, nouveaux médias, biotechnologie et technologie agricole); site Web de MindSet; soirée soulignant l'excellence dans les secteurs des sciences et de la technologie; soutien à diverses expo-sciences.

Réseau canadien de technologie

Le Réseau canadien de technologie (RCT) est une initiative conjointe du Conseil national de recherches, par l'entremise du PARI et du CIET. Le RCT cherche avant tout à créer un milieu propice à l'esprit d'entreprise et à l'innovation pour les PME du Manitoba et à intégrer les entreprises innovatrices du Canada à un réseau national qui aide et favorise l'accès des PME au savoir-faire en matière de technologie et d'innovation, ainsi qu'aux ressources et aux services.

Le rôle du CIET à cet égard est d'organiser et de co-présider le conseil manitobain responsable du RCT, qui s'efforcera de créer des partenariats et des objectifs communs. En tant qu'organisateur, le CIET affectera du personnel auxiliaire au RCT avec recouvrement intégral des coûts par le CNR. Le conseil responsable du RCT permettra d'orienter le réseau et d'établir des partenariats à l'échelle locale et nationale.

Initiative géoscientifique ciblée

Ce projet est une nouvelle étude géoscientifique pluridisciplinaire coordonnée dont l'objectif est de caractériser et de comprendre l'architecture du bassin et le potentiel d'hydrocarbures du bassin Williston. Le projet Initiative géoscientifique ciblée entame la première année d'une étude de deux ans qui comprendra des nouveaux travaux fondés sur un leadership scientifique reconnu, ainsi que sur la coopération et sur les connaissances des universités et des agences gouvernementales au niveau fédéral et provincial. Le résultat sera une maquette géologique tridimensionnelle de vieilles pierres du Paléozoïque et du Mésozoïque, du socle à l'affleurement, au Manitoba et en Saskatchewan, dans

une zone géographique allant du bord de l'affleurement du nord et de l'est jusqu'à la frontière internationale, et à l'ouest jusqu'au 106^{e} parallèle. L'un des principaux objectifs est de mieux comprendre le potentiel en hydrocarbures et en minéraux du bassin.

Les partenaires et les agences qui contribuent au projet incluent les suivants :

- le gouvernement fédéral – Ressources naturelles Canada – Secteur des sciences de la Terre
- la Province du Manitoba
    - Conseil de l'innovation économique et de la technologie
    - ministère de l'Industrie, du Développement économique et des Mines
        - Levés géologiques du Manitoba
        - Direction des ressources pétrolières
- la Province de la Saskatchewan – Industry and Resources – Petroleum Geology Branch
- l'Université de l'Alberta
- l'Université de Saskatchewan